

Chinese short-video apps race to expand social commerce offerings

Article

The rest of the world is waking up to the potential of shoppable livestreams, but it's old news to China's short-form video players and ecommerce platforms. Short-video leaders Douyin (TikTok's sister app) and Kuaishou (known outside of China as Kwai) have been expanding their social commerce operations, not just to sell products, but to provide services and other forms of content as well.

Since the popularity of short video exploded in China in 2017, it has turned into somewhat of a national obsession. Though similar to TikTok in the West, Douyin features content specific to China and has more commerce capabilities. The internationally lesser-known Kuaishou—which went public in Hong Kong on February 5—has a bigger footprint in China’s lower-tier cities and rural areas and offers a window into the lives of ordinary people. In December 2020, 64.9% of Kuaishou users were based in cities Tiers 3 and lower, compared with 58.7% for Douyin, per data analytics company QuestMobile.

Douyin vs. Kuaishou Mobile App Users in China, by Demographic, Dec 2020

% of respondents in each group

	Douyin	Kuaishou
Age		
Post-00s ⁽¹⁾	13.7%	15.7%
Post-90s ⁽²⁾	35.0%	32.9%
Post-80s ⁽³⁾	29.6%	31.3%
Post-70s ⁽⁴⁾	18.5%	16.6%
City tier		
Tier 1 ⁽⁵⁾	7.4%	4.9%
New Tier 1	16.5%	13.4%
Tier 2	17.4%	16.9%
Tier 3	25.1%	25.4%
Tier 4	20.7%	21.4%
Tier 5 and below	12.9%	18.1%

Note: represents activities in the QuestMobile network, broader industry metrics may vary; (1) ages 11-20 (born between 2000-2009); (2) ages 21-30 (born between 1990-1999); (3) ages 31-40 (born between 1980-1989); (4) ages 41-50 (born between 1970-1979); (5) Beijing, Guangzhou, Shanghai, and Shenzhen

Source: QuestMobile, "2020 China Mobile Internet Annual Report: Part Two," Feb 2, 2021

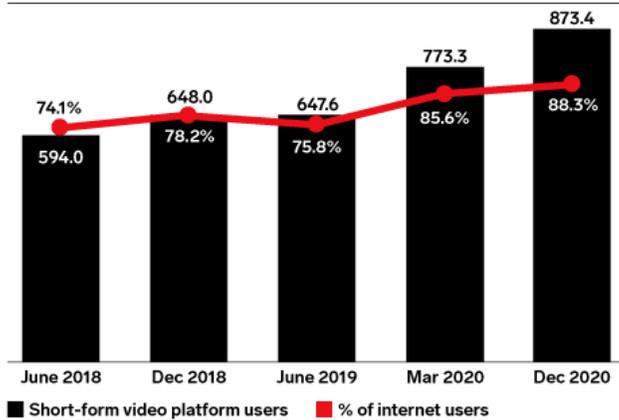
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According to the China Internet Network Information Center (CNNIC), there were 873.4 million short-form video platform users in China as of the end of 2020, or 88.3% of the country’s internet users. Kuaishou reported that its users spent, on average, more than 86 minutes on the platform per day between Q1 2020 and Q3 2020.

Short-Form Video Platform Users and Penetration in China, June 2018-Dec 2020

millions and % of internet users



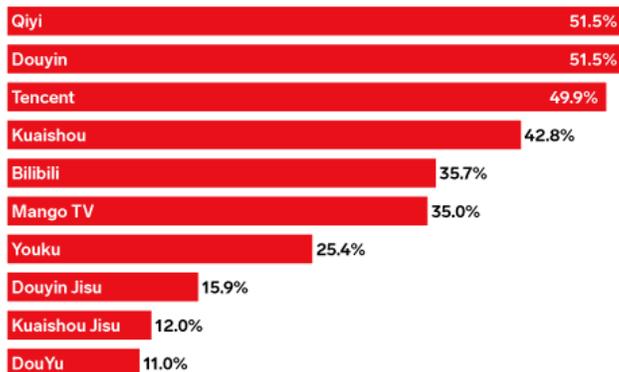
Source: China Internet Network Information Center (CNNIC), "The 47th China Statistical Report on Internet Development," Feb 3, 2021

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Both Douyin and Kuaishou are well penetrated among the much-coveted Gen Z consumers in China. QuestMobile found that in November 2020, Douyin and Kuaishou reached a respective 51.5% and 42.8% of mobile internet users in the cohort (defined as ages 20 to 25 last year).

Leading Mobile Video Apps Among Gen Z* Mobile Internet Users in China, by Reach, Nov 2020

% reach



Note: represents activity on the QuestMobile network, broader industry metrics may vary; *born 1995-2000

Source: QuestMobile, "2020 China Gen Z Insight Report," Jan 12, 2021

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Short-form video platforms have become a nexus of digital entertainment and commerce—aided by influencers (known locally as key opinion leaders, or KOLs) and livestreaming—where brands can drive awareness and purchase consideration through their followers and

engagement. In fact, it's such a powerful formula that even traditional ecommerce players have launched similar short-video functionalities.

Social commerce has been growing strongly for both short-video leaders. Kuaishou's gross merchandise volume (GMV) for the first 11 months of 2020 totaled RMB 332.68 billion (\$48.15 billion), surging nearly eightfold over the same period in 2019, according to the company's IPO prospectus. By contrast, Douyin's GMV was approximately RMB 500 billion (\$72 billion) in 2020, as reported by Chinese media outlet LatePost. Despite such growth, these figures are dwarfed by those of ecommerce giants Alibaba and JD.com, and both short-video apps still need greater brand presence and product offerings. However, their GMVs already supersede those of smaller digital commerce players such as Gome, Suning, and vip.com.

Douyin and Kuaishou are only at the beginning of their commerce journey, with signs pointing to expansion both vertically and horizontally. Douyin's parent company, ByteDance, only set up its own ecommerce unit in June 2020. Douyin has introduced its own version of miniprograms (applets within its platform)—mirroring WeChat—as well as loyalty programs. According to news site Tech Planet, Douyin is also internally testing group-buying functions. If true, this would put it in direct competition with consumer products and retail services platform Meituan.com.

Both short-video apps have recently launched their own digital payment services to keep users within the confines of their respective ecosystems. Look for Douyin and Kuaishou to further develop their payment universes the way Alipay has, to include other products such as financial services.

Social commerce race aside, engaging content and a strong community of KOLs and ordinary users alike are still the core of these platforms, which are competing for eyeballs in new verticals such as esports, online learning, and finance, as well as original content and longer video formats. Kuaishou and ByteDance have already invested in digital education services, with the former entering aggressively into esports through a variety of moves including acquisitions.